

Message Text

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PAGE 01 JIDDA 03371 091521Z

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 /018 W

-----092238Z 096686 /21

R 091307Z MAY 77

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 8272

LIMITED OFFICIAL USE JIDDA 3371

E.O. 11652: N/A

TAGS: EFIN, BEXP, SA

SUBJECT: ON-DEMAND SURETY BONDS

REF: A) JIDDA 1908, B) JIDDA 1230

1. WE HAVE FINALLY OBTAINED COPY OF SAUDI MONETARY AGENCY (SAMA) CIRCULAR AUTHORIZING ACCEPTANCE OF SURETY BONDS INSTEAD OF BANK GUARANTEES. OUR READING OF ARABIC TEXT INDICATES THAT DOCUMENTS FROM NAMED SURETY COMPANIES CAN BE ACCEPTED IF THEY MEET THE FOLLOWING CONDITIONS (INTER ALIA): A) THE BOND BE IN THE FORM OF AN ON-CALL LETTER OF GUARANTEE, B) THAT IT NOT EXCEED 20 PERCENT OF THE INSURANCE COMPANY'S CAPITAL AND RESERVES, C) THAT IT BE ISSUED FROM THE MAIN OFFICE AND D) THAT IT BE PASSED THROUGH A LOCAL BANK FOR GUARANTEE OF SIGNATURE AND VERIFICATION THAT THE OTHER CONDITIONS HAVE BEEN MET.

2. ACCEPTABLE US INSURANCE COMPANIES, AND GUARANTEE LIMITS (IN \$ MILLION) PER ANNEX TO SAMA CIRCULAR, ARE: ALLSTATE (178), HARTFORD FIRE (108), FIREMENS FUND (86), INSURANCE CO. OF N.A. (78), US FIDELITY AND GUARANTEE (76), STATE FARM (57), AMERICAN GENERAL (56), HARTFORD ACCIDENT (56), GENERAL ACCIDENT FIRE AND LIFE (50), LUMBERMEN'S MUTUAL (49), TRAVELERS INDEMNITY (45), GENERAL REINSURANCE (42), FIREMENS INSURANCE (41),
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CONTINENTAL CASUALTY (37), ST. PAUL FIRE AND MARINE (34), CONTINENTAL INSURANCE (32), RELIANCE INSURANCE (30), AMERICAN INSURANCE (28), FEDERAL INSURANCE (27), POTOMAC INSURANCE (25), GREAT AMERICAN (24), AND BUCKEYE UNION (24). EIGHT BRITISH FIRMS ARE ALSO ON LIST. TREASURY WILL NOTE THAT NOT ALL FIRMS ON PARSKY'S SUGGESTED LIST (WHICH NUMBERED 25) HAVE BEEN ACCEPTED; THERE

ARE ONLY 22 FIRMS ON SAMA LIST. AETNA AND HOME ARE NOT.

3. THERE IS NO MENTION OF SURETY COMPANY "PRESENCE" IN SAUDI ARABIA; PRESUMABLY REQUIREMENT TO DEAL THROUGH LOCAL BANK FILLS SAG NEEDS IN THIS RESPECT.

4. OUR FIRST REACTION IS THAT REQUIREMENT (A) FOR LETTER OF GUARANTEE FORM PUTS US RIGHT BACK INTO THE PROBLEM OF ACCEPTABILITY OF LETTER OF CREDIT FORMS RATHER THAN GUARANTEES. ONLY INDICATIONS WE HAVE BEEN ABLE TO GET RE CURRENT STATUS OF THAT PROBLEM IS THAT IT STILL "UNDER STUDY".

5. TRANSLATION OF CIRCULAR AND ANNEXES WILL BE POUCHED TO TREASURY/OSAA AS SOON AS COMPLETED, FOR FULL ANALYSIS. PORTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, BONDS (SECURITIES), LETTERS OF CREDIT, TAX AGREEMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 09-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: N/A
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ISecure: 1
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Litigation History:
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Reference: 77 JIDDA 1908, 77 JIDDA 1230
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